

Summary of Findings: Design and Testing of Regulation CC Funds Availability Clauses, Disclosures, and Notices

October 2010

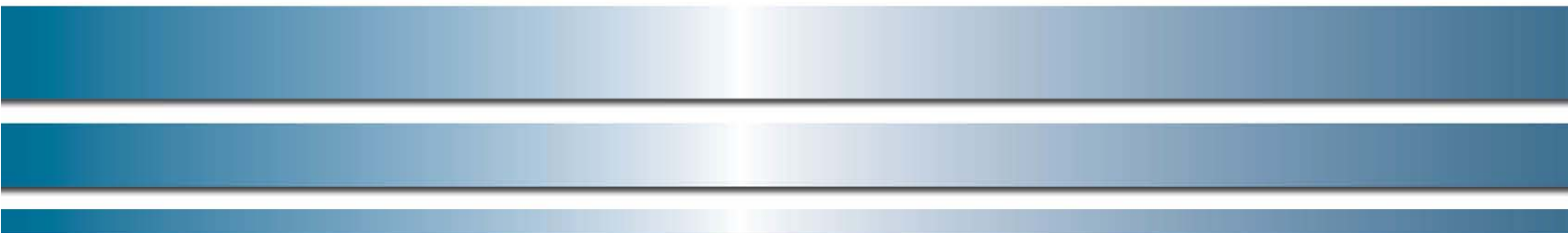
Submitted to:
Board of Governors of the
Federal Reserve System

Submitted by:

ICF MACRO
an ICF International Company

ICF Macro
11785 Beltsville Drive
Calverton, Maryland 20705

Summary of Findings: Design and Testing of Regulation CC Funds Availability Clauses, Disclosures, and Notices



October 2010

Submitted to:
Board of Governors of the
Federal Reserve System

Submitted by:
ICF Macro
11785 Beltsville Drive
Calverton, Maryland 20705

Table of Contents

Executive Summary	ii
Background and Description of Project	ii
Methodology	ii
Summary of Key Findings	iii
<i>Participants' Understanding of Funds Availability Policies</i>	iii
<i>Development and Testing of Regulation CC Funds Availability Notices (C-17 and C-18)</i>	iii
<i>Development and Testing of Regulation CC Funds Availability Disclosures (C3 and C4)</i>	iv
<i>Development and Testing of Regulation CC Deposit Hold Notices (C-13 and C-16)</i>	viii
<i>Recommendations for Proposed Model Forms</i>	ix
Chapter 1: Introduction	1
Background	1
Development of Revised Regulation CC Documents	1
Overview of Testing Strategy	2
Chapter II: Guiding Principles for Disclosure Design	4
Chapter III: Testing of Revised Disclosure Forms	6
Interviews in Alexandria, Virginia (August 2010)	6
<i>Objectives and Methodology</i>	6
<i>Key Interview Findings</i>	7
<i>Subsequent Design Decisions</i>	13
Interviews in Denver, Colorado (September 2010)	15
<i>Objectives and Methodology</i>	15
<i>Key Interview Findings</i>	16
<i>Recommendations for Proposed Model Forms</i>	21
Chapter IV: Summary	23
Appendix A: Sample Recruiting Protocol	
Appendix B: Participant Demographics	
Appendix C: Disclosure Forms Used in Testing	

Executive Summary

Background and Description of Project

The Board of Governors of the Federal Reserve System (the Board) is responsible for implementing the Expedited Funds Availability Act (EFAA); it does so through Regulation CC (12 CFR 229).

Among other things, Regulation CC describes what disclosures banks must provide to consumers about when funds in their account will be available for withdrawal. Appendix C to the regulation includes model funds-availability forms that banks may use as the basis of their disclosures to their customers.¹ In June 2010 the Board contracted with ICF Macro, an ICF International Company, to assist it with its review and revision of these forms. ICF Macro is a research and evaluation company with expertise in the design and cognitive testing of effective consumer communication materials.

The goal of the work described in this report was to develop model disclosures, clauses, and notices that are understandable to consumers and will help them make informed financial decisions. The revised forms that were developed and refined through testing will be included as models with the Board's request for public comment on proposed changes to Regulation CC, which is expected to be published in late 2010.

Methodology

The research for this project consisted of two rounds of in-depth cognitive interviews with nine consumers in Alexandria, Virginia and 11 in Denver, Colorado. The purpose of these interviews was to learn more about consumers' understanding of funds availability policies, as well as to test their comprehension of three model clauses, four notices, and two disclosures being developed for a new rule.

Prior to the first round of cognitive interviews, Board staff and ICF Macro collaboratively revised the forms from those currently found in the Regulation CC appendix. Following each round of interviews, Board staff were briefed on the findings. ICF Macro's design team used what they learned from the interviews, as well as guidance from Board staff, to develop improved versions of the clauses, notices, and disclosures.

Participants in each location were recruited by telephone using a structured screening instrument to ensure the selection of a range of participants in terms of gender, educational level, ethnicity, and checking and savings account balances. In Denver, participants were also recruited to ensure a wide age range. Participants were deemed ineligible if they currently or had ever worked for a bank or other financial institution; if they did not have a personal checking or savings account; or if the combined average balance of their checking and savings accounts was over \$5,000. A sample recruitment screening instrument is included as Appendix A, and a summary of participants' background and demographic information is provided in Appendix B.

ICF Macro's design and testing focused on three different types of documents. The first were funds availability notices that would be posted inside a banking institution. These notices are intended to inform consumers of the bank's general funds availability policy. The second type of document

¹ Appendix C to the regulation is available online: edocket.access.gpo.gov/cfr_2010/janqtr/pdf/12cfr229AppC.pdf.

tested was a longer disclosure that details the bank’s policies related to funds availability. Finally, ICF Macro also tested “hold notices” that would be given or sent to consumers to notify them of a hold on funds from a deposit.

Summary of Key Findings

Participants’ Preexisting Beliefs Regarding Funds Availability Policies

Prior to showing participants any documents, the interviewer asked participants to share their preexisting beliefs regarding banks’ funds availability policies. Findings were generally the same for both rounds of interviews.

- All but one of the participants thought that funds from an electronic direct deposit are available the same day they are deposited.
- Most participants said they would have immediate access to a cash deposit. A few participants added that this would only be true if the deposit were made in-person.
- Most participants believed that funds from a check deposit would not be available the same day as the deposit. Several added that they would have access to a portion of the funds immediately, but would have to wait for the remainder to be released.
- None of the participants expected the availability of funds to vary depending on the method of withdrawal.

Notwithstanding the above, consumers generally demonstrated understanding of the forms they were shown during the cognitive interviews, as discussed below.

Development and Testing of Regulation CC Model Notices of Funds Availability Policies (C-17 and C-18)²

As previously stated, prior to the first round of interviews Board staff and ICF Macro collaboratively revised the forms from those currently found in Regulation CC Appendix C. Participants were shown sample documents that were revised based on current notices C-17 and C-18, one at a time, and asked questions to test their comprehension of the information presented. The sample document based on the C-17 notice is labeled C17A³, while the revised C-18 sample notice is labeled C18A.

Notice C17A

- In Round 1 of testing, all participants said they found this document easy to understand and did not have any suggestions for additional information that should be included. All participants understood when funds from electronic direct deposits and check deposits would be available.

² Model funds-availability notices C-17 and C-18 in Appendix C of Regulation CC represent brief summaries of banks’ availability policies. They are designed to be posted by a bank in each place where bank employees receive consumer deposits.

³ Documents labeled herein with an “A” refer to the version tested in the first round as well as those that were tested in the second round but not revised between testing rounds. Documents labeled with a “B” were revised for the second round of testing.

- Because participants in Round 1 did not have any difficulties with this document, no modifications were made for Round 2. The findings for Round 2 were the same as for Round 1 – all participants understood the information presented in the document.

Notice C18A

- In Round 1 of testing, all participants said C18A was more difficult to understand than C17A. More than half of participants had difficulty identifying when funds from a check deposit would usually be available and whether the availability could be delayed.
- Based on findings from Round 1, the document was redesigned to be consistent with C17A by placing the funds availability information in a tabular format.
- For Round 2 of testing, all participants were shown the revised document (C18B) and understood when funds from a check deposit would usually be available. Most also understood that the availability of funds could be delayed, although some participants failed to notice that possibility. When the interviewer directed these participants to the applicable sentence in the document, participants demonstrated understanding of the policy.

Development and Testing of Regulation CC Model Disclosures of Funds Availability Policies (C-3 and C-4)⁴

One sample disclosure based on current form C-3 was developed for testing. For testing purposes, this sample (labeled C310A) included model clauses C-6, C-7, and C-10.⁵ Additionally, two sample disclosures based on current form C-4 were developed for testing. The first (labeled C4A) included model clauses C-6 and C-7, and the second (labeled C410A) included model clauses C-6, C-7, and C-10.

Participants were shown one of these three disclosures and asked to “think aloud” as they read through it, before being asked several questions to test their understanding of the information presented.

General Understanding

- Across both rounds of testing, all participants understood that the purpose of the documents was to inform consumers of when funds from different types of deposit would be available. Many participants were surprised that funds from cash deposits, wire transfers, and government checks would not be immediately available.

⁴ Model funds-availability policy disclosures C-3 and C-4 in Appendix C of Regulation CC represent detailed descriptions of banks’ availability policies. They are designed to be provided by a bank to a customer, for example, upon the customer’s request, when the bank makes a change to its policy, or when a prospective customer opens an account.

Appendix C of the regulation contains two other models for disclosures of banks’ funds availability policies (C-1 and C-2), which are simpler than C-3 and C-4. While C-1 and C-2 were not subjected to consumer testing, the insights gained from testing of C-3 and C-4 will also be used as the basis for proposing revisions to C-1 and C-2.

⁵ Appendix C of Regulation CC includes certain model “clauses” that a bank may, as appropriate, incorporate into its funds-availability policy disclosure. Model clauses C-6 and C-7 pertain to a bank that may provide immediate availability, e.g., by cashing a check for a customer, while placing a hold on funds that the customer already has on deposit. Model clause C-10 pertains to a bank that has a policy of placing certain limitations on withdrawals in cash.

Board staff and ICF Macro collaboratively revised the language of these model clauses prior to the first round of testing.

- ♦ In Round 1 of testing, nearly half of the participants did not understand the meaning of the sentences, *“Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account.”*⁶
- ♦ For Round 2 of testing, the wording was changed to, *“If you withdraw funds from a check deposit and the check is later returned unpaid, we may charge the check back to your account.”* Approximately three-quarters of participants in the second round of testing understood the meaning of the sentence.

Availability Timeline for Deposits to Established Accounts (direct deposits and cash)

- Nearly all participants in both rounds of testing understood that funds from electronic direct deposits would be available the same day for cash withdrawal.
- All Round 1 participants and six of the 11 Round 2 participants also understood when funds from direct deposits would be available for check writing. Those who responded incorrectly focused on the key phrase “check writing” in the question they were asked, and when they reviewed the table, incorrectly referred to the section titled *“for writing checks.”* However, this section only detailed how funds from *“other checks”* would be made available. Consequently, instead of referring to the section on how funds from *“electronic direct deposits”* would be made available, they misread the table and provided the answer for how funds from *“other checks”* would be made available.
- In Round 1, several participants mistakenly believed that an ATM deposit would fall under the category of an “in-person deposit.” Because of this misconception, these participants were incorrect in their belief of when funds from an ATM deposit would be available.
- To address the error described in the previous bullet, the phrase *“deposited in-person”* was changed to *“deposited with a teller”* for the second round of testing. In Round 2, all participants understood that an ATM deposit was distinct from a teller deposit and therefore correctly identified when funds from an ATM deposit would be available for withdrawal.

Availability Timeline for Deposits to Established Accounts (check deposits)

- All participants shown C310A understood that all funds for deposited checks would usually be available the next business day for cash withdrawal and for writing checks. All but two of the participants in Round 2 who were shown C310B understood this section of the document. The remaining participants referred to the incorrect place on the document (the table for new accounts or the section entitled *“Longer Delays May Apply”*).
- The three participants who were shown C4A were presented three deposit scenarios to test their understanding of the content in the document.

⁶ The model forms in Appendix C of Regulation CC do not currently include language along these lines. The commentary to the appendix, however, notes that “[b]anks may also add related information [to the model forms]. For example, a bank may indicate that although funds have been made available to a customer and the customer has withdrawn them, the customer is still responsible for problems with the deposit, such as checks that were deposited being returned unpaid.” Many banks choose to incorporate this type of information into their policy disclosures, and Board staff opted to test language on this topic in an effort to maximize its clarity. Language along these lines, revised on the basis of the consumer testing as discussed herein, is expected to be included in the Board’s request for public comment.

- ♦ All participants understood how a deposit of a check “from an account that is not at this bank” would be treated for cash withdrawal. Two of the three participants understood how checks of this type would be treated for check writing.
- ♦ All participants understood how a deposit of a check “from an account at this bank” would be treated for cash withdrawal and for check writing.
- ♦ All participants understood how government checks would be treated for cash withdrawal and check writing.
- Because most participants had no difficulty with the information presented in C4A, the decision was made not to include it in the second round of testing.
- The only difference between the Availability Timeline table presented in C4 and the one presented in C410 is how funds from “*other checks*” are made available. In C410, the cash-withdrawal limitation (C-10) is detailed in this row of the table. A discussion of the findings regarding C-10 is presented later.

Availability Timeline for New Accounts

- Participants were first presented with a scenario in which they deposited a personal check into a new account.
 - ♦ In Round 1 of testing, half of participants did not understand when funds would be available from a personal check deposited into a new account. Some participants did not realize that the row in the table for “*other checks not specifically described above*” should be used for personal checks.
 - ♦ To address this issue, examples were added to the row for “*other checks*,” including “*personal checks*” and “*checks not written to you*.” In Round 2 of testing, all but one of the participants correctly responded to the same scenario.
- Participants were then presented with a scenario in which they had made an ATM deposit of a government check into a new account.
 - ♦ In Round 1 of testing, most participants did not understand when funds from a deposit of that type would be available. In most cases, the mistake was due to thinking an ATM deposit would be treated as an “in-person” deposit.
 - ♦ There were also two rows in which information about how funds from government checks are made available. One row that described the timeline for “in-person” deposits, and one for deposits not made “in-person.” It was clear that participants did not distinguish between the two rows.
 - ♦ To address these errors, “*in-person deposit*” was changed to “*deposited with a teller*,” and the two rows that described “*Government, cashier’s, certified, teller’s, or traveler’s checks...*” were combined. In Round 2 of testing, all but two participants correctly responded to the same scenario.

Longer Delays May Apply

- All participants who were shown C310A understood that it could take up to seven business days for funds to become available.

- Many participants who were shown C4A or C410A did not understand that it could take up to seven business days for funds to become available. This difficulty seemed to be due in large part to the fact that the relevant section was located on the second page of the document. Once the relevant section was pointed out to them, participants understood the information. Even though no changes were made, all participants in Round 2 were able to locate the section and understood the content.
- Most participants understood the list of reasons given for why funds might be held for up to seven days. However, some participants in each round said they would want to know more information about what contributed to a bank's "belief" that a check would not be paid. A few participants also said they did not understand what was meant by the phrase *"redeposit a check that has been returned unpaid."*

Immediate Availability and Holds on Other Funds (C-6 and C-7)

- To test participants' understanding of these clauses, participants were asked if they would have immediate access to cash from a check deposit. During Round 1 of testing, most participants were unable to locate the relevant section of the document and were therefore unable to respond to the question.
- To address this problem, the applicable section of text was moved up in the document and the heading was made more prominent. In Round 2, half of participants were able to locate it without assistance from the interviewer. However, some participants still did not understand how the text would apply to the scenario. Two participants suggested using the phrase "Check Cashing" or "Cashing a Check" in the heading for that section.

Cash Withdrawal Limitation (C-10)

- On document C310A (Round 1), information about the cash-withdrawal limitation was included as a text in a paragraph. Most participants initially had difficulty answering questions about the limitation policy, because they could not find the appropriate section in the page. Once they were directed to the correct section of the page, most participants understand that the first \$100 of their deposit would be available for writing checks and making cash withdrawals on the next business day.
- Several participants who viewed C310A in Round 1 also failed to distinguish between when they would have access to their remaining funds for writing checks and when they would have access to their remaining funds for cash-withdrawals. Most applied the cash-withdrawal policy to both situations, and did not understand that all their funds would be available for writing checks on the second business day.
- To address these problems, the relevant section of the document was revised into a bulleted list, rather than a paragraph. In Round 2 of testing, most participants responded correctly to the questions.
- Across both rounds, nearly all participants who viewed C410 were able to correctly apply the cash-withdrawal limitation policy. For Round 2, however, this section was modified to include language specifically applicable to deposits over \$5,000.

Development and Testing of Regulation CC Model Notices of Holds on Deposited Checks (C-13 and C-16)⁷

Reasonable Cause Hold Notice (C-13)

- A sample C-13 notice (C13A) was developed for testing purposes. Based on prior research done for the Board by ICF Macro in other contexts, this form was designed to only include the reason for the hold the consumer is being notified about, instead of listing all reasons and allowing the bank to select which reason applied. The reason listed on the sample form was *“Information from the paying bank has indicated that this check may not be paid.”* Participants were then provided a document (C13A1 or C13B1) that listed other reasons for holds, and were asked to explain each reason.
- All participants understood the purpose of the sample notice and were able to explain the reason for the hold (i.e., *“Information from the paying bank has indicated that this check may not be paid”*).
- Most participants understood the sentences, *“If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.”* However, two participants did not understand that the refund would only be given if the check was eventually paid.
- Nearly all participants were unable to identify any additional information that should be included on the document. When specifically asked if the payor’s name should be included, some participants thought it could be helpful for people who deposit a lot of checks. One participant wanted to know how the bank would notify them of a hold if the deposit were made through an ATM.
- When shown a list of other possible reasons for a seven-day hold, most participants understood most reasons, with the following exceptions:
 - ◆ During Round 1 of testing, most participants did not understand the term *“joint payee”* in the statement *“we are unable to verify the endorsement of a joint payee.”* Most thought this referred to the signature of one of the payors.
 - ◆ To address this problem, the statement was revised to read *“we are unable to verify an endorsement on the check.”* In Round 2 of testing, most participants again thought this meant the payor’s endorsement. A few participants also indicated they did not know what the word *“endorsement”* meant.
 - ◆ Across both rounds of testing, nearly all participants understood the term *“postdated,”* however, most participants did not know what was meant by the term *“stale date.”*

⁷ Regulation CC requires a bank to disclose its general funds-availability policy (per model forms C-3 and C-4 discussed above). When a bank places a hold on a consumer check deposit beyond the timeframe set forth in the bank’s general availability policy, the regulation requires the bank to provide notice of the hold to the consumer. Model notices C-13 and C-16 in Appendix C of the regulation are two models of a notice a bank may provide for this purpose.

Appendix C of the regulation contains two other models for notices of holds on consumer deposits, C-12 and C-15. While C-12 and C-15 were not subjected to consumer testing, the insights gained from testing of C-13 and C-16 will also be used as the basis for proposing revisions to C-12 and C-15.

- ♦ A few participants did not understand the sentence “*the check is drawn on an account with repeated overdrafts.*” They thought the account that had the repeated overdrafts would be their own, not the check writer’s.

Case-by-Case Hold Notice (C-16)

- One sample document (C16A) was developed based on C-16 for testing in Round 1. During this round, many participants incorrectly identified the total amount of the deposit, assuming that it was the same as the amount of the deposit placed on hold.
- To address this misconception, several changes were made to the document. The heading of the document was changed to highlight the total amount of the deposit instead of the total amount of the deposit on hold. The rows indicating the amount of the hold and the total deposit amount were eliminated, and the availability timeline was revised.
- During Round 2 of testing, all participants correctly identified the amount of the deposit and understood when funds for the entire deposit would be available, as well as when a portion of those funds would be available for cash withdrawal and for check writing.

Subsequent Design Decisions for Proposed Model Forms

Model Notices C-17 and C-18

- Because of the success of C17A, ICF Macro and the Board collaboratively agreed that C-17 remain consistent with the sample tested.
- Because some interview participants did not notice the first sentence beneath the table in C18B, ICF Macro and the Board agreed to move the substance of that sentence into the lower-right-hand cell of the table on that form. Specifically, “*the next business day*” in the row “*Any other method (e.g., cash, check, wire transfer)*” would be replaced with “Usually the next business day. However, we may place a hold on check deposits. In these cases, funds will generally be available by the second business day after the deposit.” The corresponding language beneath the table would be deleted.

Model Disclosures C-3 and C-4

- Because some interview participants did not notice the language regarding immediate availability, or understand how that language related to check cashing, ICF Macro and the Board agreed to change the heading for that section to “Check Cashing, Immediate Availability, and Holds on Other Funds.”

Model Notices C-13 and C-16

- Because of the success of C13A, ICF Macro and the Board agreed that the format of C-13 remain consistent with the sample tested. Because some participants struggled with the specifics of two of the other possible reasons for a seven-day hold, the following changes were agreed upon:
 - ♦ Reason tested in Round 1: “We are unable to verify the endorsement of a joint payee.” Reason tested in Round 2: “We are unable to verify an endorsement on the check.”
 - Change to: “We are unable to verify a signature on the back of the check.”

- ♦ Reason tested in Rounds 1 and 2: “The check is postdated or has a stale date.”
 - Separate this reason into two reasons, with the first reason being, “The check is postdated,” and the second reason being “The check has a stale date, that is, it was written too long ago and is expired.”
- Because of the success of C16B, ICF Macro and the Board agreed that C-16 remain consistent with the sample tested in the second round.

Chapter I: Introduction

Background

The Board of Governors of the Federal Reserve System (the Board) is responsible for implementing the Expedited Funds Availability Act (EFAA); it does so through Regulation CC.

Among other things, Regulation CC describes what disclosures banks must provide to consumers about when funds in their account will be available for withdrawal. Appendix C to the regulation includes model funds-availability forms that banks may use as the basis of their disclosures to their customers. In June 2010 the Board contracted with ICF Macro, an ICF International Company, to assist it with its review and revision of these forms. ICF Macro is a research and evaluation company with expertise in the design and cognitive testing of effective consumer communication materials.

The goal of the work described in this report was to develop model disclosures, clauses, and notices that are understandable to consumers and will help them make informed financial decisions. The revised forms that were developed and refined through testing will be included as models with the Board's request for public comment on proposed changes to Regulation CC, which is expected to be published in late 2010.

Development of Revised Regulation CC Documents

The documents tested with consumers through the in-depth interviews described below were first revised from those currently in Appendix C of Regulation CC by ICF Macro's design team in consultation with Board staff. The initial design process was informed by heuristic design guidelines, a "plain language" review of the documents, and knowledge about consumer financial understanding developed by ICF Macro through other work for the Board. Chapter II describes some of the design principles that guided the development of these forms.

Two disclosures, three clauses, and four notices were tested. These documents are described below.

Model Disclosures

- Disclosure of funds-availability policy of next-day availability, case-by-case holds to statutory limits, and section 229.13 exceptions (C-3)
- Disclosure of funds-availability policy of holds to statutory limits on all deposits (C-4)

Model funds-availability policy disclosures C-3 and C-4 in Appendix C of Regulation CC represent detailed descriptions of banks' availability policies. They are designed to be provided by a bank to a customer, for example, upon the customer's request, when the bank makes a change to its policy, or when a prospective customer opens an account. Appendix C of the regulation contains two other models for disclosures of banks' funds-availability policies, C-1 and C-2, which are simpler than C-3 and C-4. While C-1 and C-2 were not subjected to consumer testing, the insights gained from testing of C-3 and C-4 will also be used as the basis for proposing revisions to C-1 and C-2.

Model Clauses (which are incorporated, as appropriate, within the disclosures)

- Holds on other funds (check cashing) (C-6)
- Holds on other funds (other account) (C-7)
- Cash withdrawal limitation (C-10)

Appendix C of Regulation CC includes certain model “clauses” that a bank may, as appropriate, incorporate into its funds-availability policy disclosure. Model clauses C-6 and C-7 pertain to a bank that may provide immediate availability of funds, e.g., by cashing a check for a customer, while placing a hold on funds that the customer already has on deposit. Model clause C-10 pertains to a bank that has a policy of placing certain limitations on withdrawals in cash.

Model Notices

- Notice of reasonable-cause hold on a deposit (C-13)
- Notice of case-by-case hold on a deposit (C-16)

When a bank places a hold on a consumer check deposit beyond the timeframe set forth in the bank’s general availability policy (e.g., as set forth in disclosures C-3 and C-4 discussed above), Regulation CC requires the bank to provide notice of the hold to the consumer. Model notices C-13 and C-16 in Appendix C of the regulation are two models of a notice a bank may provide for this purpose. Appendix C of the regulation contains two other models for notices of holds on consumer deposits, C-12 and C-15. While C-12 and C-15 were not subjected to consumer testing, the insights gained from testing of C-13 and C-16 will also be used as the basis for proposing revisions to C-12 and C-15.

- Posted notice of funds-availability policy at locations where employees accept consumer deposits (C-17)
- Posted notice of funds-availability policy at locations where employees accept consumer deposits (case-by-case holds) (C-18)

Model funds-availability notices C-17 and C-18 in Appendix C of Regulation CC are designed to be posted notices. They represent brief summaries of banks’ availability policies.

Once the revised model forms were completed and reviewed by Board staff, ICF Macro moved to the consumer testing phase of the project.

Overview of Testing Strategy

The research for this project consisted of two rounds of in-depth cognitive interviews with consumers in Alexandria, Virginia and Denver, Colorado. The purpose of these interviews was to learn more about consumers’ understanding of funds availability policies, as well as to test their comprehension of several model clauses, notices, and disclosures being developed for a new proposed rule. Following each round of interviews, ICF Macro and Board staff discussed the results. ICF Macro’s design team used what they learned from the interviews, as well as guidance from the Board staff, to develop improved versions of the clauses, notices, and disclosures.

Table 1: Timeline of Consumer Testing

	Location	Dates	Number of Participants
Interviews (Round 1)	Alexandria, VA	August 19–20, 2010	9
Interviews (Round 2)	Denver, CO	September 13–14, 2010	11

Participants in each location were recruited by telephone using a structured screening instrument developed collaboratively by ICF Macro and Board staff to ensure the selection of a range of participants in terms of gender, educational level, ethnicity, and checking and savings account balances. In Denver, participants were also recruited to ensure a wide age range. Participants were deemed ineligible if they currently or had ever worked for a bank or other financial institution; if they did not have a personal checking or savings account; or if the combined average balance of their checking and savings accounts was over \$5,000. A sample recruitment screening instrument is included as Appendix A, and a summary of participants' background and demographic information is provided in Appendix B.

Each interview lasted approximately 75 minutes, and all interviews were conducted by the same interviewer. While the interview protocol varied slightly between rounds, the general structure and most of the questions were the same. A description of the interview protocols and a summary of findings are provided in Chapter III.

Chapter II: Guiding Principles for Disclosure Design

Much of ICF Macro's design of revised disclosures is based directly on findings from cognitive testing. This reliance on direct consumer research is an important strategy for ensuring that disclosure forms are useful and understandable to their intended audiences, and in the specific contexts in which they are provided. At the same time, there are a number of general principles to which ICF Macro's designers try to adhere whenever engaged in this or similar projects. These principles include the following:

- **Use plain language.** Jargon and technical language should be avoided whenever possible and replaced with words that are more easily understood by consumers. The use of simple language is particularly important in the context of disclosures, because consumers at the greatest risk of being taken advantage of are often those with lower literacy levels. While readability metrics (such as the “grade level” of the writing) can be useful in this respect, the best way to determine whether language is truly understandable is through direct consumer testing. For example, on the testing documents created, the phrase “deposit availability” is used instead of “funds availability” as most consumers tend to classify transactions with their bank as mainly withdrawals or deposits.
- **Prioritize information and structure disclosures so that the most important information for consumers is easiest for them to find.** Consumers frequently do not read disclosures carefully. Those who do look at them often skim quickly to look for a few key pieces of information. If consumers cannot quickly find the information they are looking for, they are likely to become frustrated and stop reading. Therefore, before any design work can begin there must be some discussion to identify the most important pieces of information on the form. This information should be located most prominently on the disclosure to increase the likelihood that even consumers who skim the form quickly can find and understand it.
- **Provide information in a format that makes it easy to compare terms between disclosures.** One purpose of funds availability disclosures is to serve as a tool to help consumers compare policies from different banks. Narrative text is often difficult to compare in this way because consumers cannot always identify the equivalent information between forms. Providing information in more structured formats, such as tables with consistent labels and headings, facilitates this kind of shopping comparison.
- **Keep language and design elements consistent between forms so that information can be tracked over time.** In the current funds availability disclosure framework, consumers get information about the bank's policy at multiple points in time. One goal of the revised disclosures is to help consumers understand their bank's policies at key points in time (e.g., from in-person deposits at a bank to receiving a written notice in the mail) to make sure they understand how their deposits are being treated. To facilitate this, the structure and formatting of disclosure elements, as well as the language that is used to describe various aspects of the product, should be made consistent between disclosures whenever possible. For example, where possible, the layout of the cash-withdrawal limitation policy is kept consistent across all documents.

- **Use headings and titles to make documents more navigable and to help consumers find the information they are looking for.** When large amounts of text are included, plain language headings should be used to distinguish sections on different topics. Tables, rows, and columns should have short, easy-to-read titles that accurately describe the information that is provided. This allows consumers to find information that they are looking for quickly and efficiently, and decreases the likelihood that they will become distracted by unrelated text.
- **Group related concepts.** Funds availability disclosures contain a great deal of information about complex financial policies. Consumers are likely to find it easier to absorb and make sense of the information if it is grouped in a logical way so they do not have to constantly shift their mindset as they read.
- **Build off of prior research when possible.** While each type of disclosure is different, findings from cognitive testing can often translate between different documents. The applicability of a disclosure format in a new context should always be confirmed through cognitive testing, but prior research often provides a useful starting point. For example, the structure used in the revised funds availability disclosures and notices were originally developed by ICF Macro designers in their work on disclosures related to home equity lines of credit.

Chapter III: Testing of Revised Disclosure Forms

Interviews in Alexandria, Virginia (August 2010)

Objectives and Methodology

Nine cognitive interviews were conducted in Alexandria, Virginia on August 19 and 20, 2010. The purpose of the interviews was to test consumers' understanding of several revised funds availability policy documents.

Seven documents were tested with participants in this first round of testing:

- **C310A:** This two-page document is based on model disclosure C-3 and incorporates several model clauses. The document was divided into five sections: (i) availability timeline for deposits to established accounts (presented in a table); (ii) the definition of “business day”; (iii) an explanation of when longer delays may apply, including an explanation of the cash withdrawal limitation (model clause C-10); (iv) an explanation of the circumstances in which a bank may provide immediate access to funds (model clauses C-6 and C-7); and (v) an availability timeline for deposits to new accounts (presented in a table).
- **C410A:** This two-page document is based on model disclosure C-4, and incorporates model clauses C-6, C-7, and C-10. The document is divided into five sections, similar to the sections outlined in C310A.
- **C4A:** This two page document is based on model disclosure C-4, and incorporates model clauses C-6, and C-7. It is very similar to C410A, except that it does not include model clause C-10.
- **C13A:** This “reasonable cause hold notice” indicates that the bank has put a hold on a \$500 check, and provides a reason for the hold. This information is presented in a table in an attempt to make the document easier to read. C-13, the original model notice on which this sample is based provides a list of reasons for a hold and allows the bank to indicate which reason applies to the current notice. Based on prior research done for the Board by ICF Macro in other contexts, this form was redesigned to only include one reason – the reason for which the consumer is receiving the notice. As only one reason was included on C13A, in order to test the other reasons for a hold, a new document **C13A1** was created. This document contained all the other reasons for hold, and participants provided feedback on each stated reason.
- **C16A:** This “case-by-case hold notice” indicates that the bank has put a hold on a \$1,750 check, and provides a timeline for when funds will be available. In contrast to the current model notice C-16, this notice uses a table in an attempt to make the document more readable.
- **C17A:** This notice (based on model notice C-17), which would be posted at a bank where employees accept consumer deposits, describes the bank’s funds availability policies.
- **C18A:** This notice (based on model notice C-18), which would be posted at a bank where employees accept consumer deposits, describes the bank’s funds availability policies. It differed from C17A in that the information was not presented in a table. It explains that funds may be held longer than is described in the general policy.

All forms that were shown to testing participants are provided in Appendix C.

Interview Protocol

The interview protocol included the following sections:

- **Beliefs Regarding Funds Availability Policies:** Before they were shown any disclosure forms, participants were asked to explain when, based on their prior experience and knowledge, various types of deposits become available.
- **Notices at Locations Where Employees Accept Consumer Deposits:** Participants were given document C17A, and then C18A. Participants first reviewed each document and then answered a series of questions designed to probe their understanding of the information in the document.
- **Introduction to Disclosure:** Participants were given one of the three revised disclosures (C310A, C4A, or C410A) and asked to “think aloud” as they read through it. They were then asked general questions about the disclosure, including what the purpose of the document was; what (if anything) they found surprising, confusing or difficult to understand; how important they believed the information in the document to be; and if there was any other information they felt should be included.
- **Understanding of Disclosure:** Following the general questions about the disclosure, the interviewer tested participants’ understanding of the document by asking them to use the information presented to identify when funds would be available for several different deposit scenarios.
- **Reasonable Cause Hold Notice:** Participants were given document C13A and asked to “think aloud” as they read through it. They were then asked several questions about the information in the notice to test their understanding of the content. Participants were then shown a list of other possible reasons for the hold (C13A1) to see if they understood them.
- **Case-by-Case Hold Notice:** Participants were given document C16A and asked to “think aloud” as they read through it. They were then asked several questions to test their understanding of the content.

Key Interview Findings

Participants’ Preexisting Beliefs Regarding Funds Availability Policies

Participants were asked when they believed that different types of deposits made to their account would be available.

- All participants thought that funds from electronic direct deposits would be available the same day they are deposited.
- All but one participant said they would have same day access to funds they deposited in cash. Three of these participants thought that this would only be true if the deposit was made in person. The participant who did not believe he would have immediate access to cash deposits did not indicate when he thought the bank would make these deposits available.

- All participants thought that funds from check deposits would not be available immediately. One participant believed this was the general rule, but said that because she has been with her bank for a long time it no longer places a hold on any funds from checks she deposits. Three participants said that they would have access to a portion of the deposited funds immediately, but would have to wait for the remainder.
- None of the participants expected the availability of funds to vary depending on the method of withdrawal.

Notices at Locations Where Employees Accept Consumer Deposits (C17A and C18A)

Participants were asked to indicate if there was anything confusing in these notices, and then indicate for each notice when a deposited check would be available. Seven participants reviewed C17A and eight participants reviewed C18A.

Notice C17A

- All participants accurately described the purpose of the notice and said there was nothing they did not understand.
- All participants correctly explained what was meant by the phrase *“check from an account at this bank.”*
- In response to a scenario in which they deposited a “check that is not from an account at this bank,” all but one participant correctly said they would be able to access \$100 the next business day and the remainder of the funds on the second business day. The remaining participant incorrectly believed his full check deposit would be available immediately. When asked to explain his answer, it became clear that he had not taken into account the fact that the check was from an account at another bank. When reminded of this fact, he correctly responded to the scenario.
- All participants said the information presented in the notice was important to them, and that they would use the information to decide how, when, and where to deposit the funds.
- One participant thought it would be helpful if the document also explained what would happen if a check she deposited was returned unpaid.

Notice C18A

- All participants were able to accurately describe the purpose of this notice. However, most participants said that it was more difficult to understand than C17A and attributed this difficulty, in part, to the lack of a table on this notice.
- Participants had difficulty identifying when funds from a check deposit would be available.
 - ◆ While all participants understood that it could take up to seven business days, only four correctly said that the funds would usually be available the next business day.
 - ◆ The other five participants mistakenly thought the funds would usually be available the second business day. Instead of referring to the bulleted text at the top of the document to

answer the question, they focused on the sentence below the bullets that addressed cases in which the availability of funds may be delayed.

- Two participants said they thought it would be helpful to include information in the notice about why a hold might be placed on deposited funds.

Introduction to Disclosure (C310A, C4A, and C410A)

Participants were asked to “think aloud” while they reviewed the document and were then asked a series of questions. Some of these questions presented scenarios in which participants were asked when funds from different types of checks would become available.

Purpose of the Document and Suggested Additional Information

- All participants understood that the purpose of the documents was to inform consumers of when funds from different types of deposits would be available.
- Many participants said they would like the disclosure to indicate how the bank would notify them of a hold.

Concepts That Were Surprising, Confusing, or Difficult to Understand

- While reviewing these documents several participants were surprised that funds from cash deposits and wire transfers would not be available immediately.
- Most participants said they did not know what “special deposit slips” were.
- Most participants had difficulty understanding the sentences, *“Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account.”*
 - ♦ Only five of the nine participants were able to correctly articulate the meaning of these sentences. However, they had to read the sentences several times before they were able to provide an explanation.
 - ♦ Of those who did not understand the meaning, two participants thought they would be charged a fee if they deposited a check that was not paid. The other two participants were confused about whether the sentence referred to checks they wrote or checks they deposited.

Understanding of Disclosure (C310A, C4A, and C410A)

During this portion of the interview, participants were asked specific questions and presented with different deposit scenarios to test their comprehension of the information presented in the document. Four participants reviewed C310A, three participants reviewed C4A, and four participants reviewed C410A. Unless otherwise specified, the findings refer to all three documents tested.

Availability Timeline for Deposits to Established Accounts (direct deposits and cash)

- All participants understood that funds from direct deposits would be available the same day.

- All participants understood that funds from a cash deposit would be available the next business day if deposited in-person. However, there was some confusion over whether an ATM deposit was considered as an “in-person” deposit; at least three participants thought that it would.

Availability Timeline for Deposits to Established Accounts (check deposits)

- All four participants who were shown C310A understood that all funds for deposited checks would usually be available the next business day for cash withdrawal or writing checks.
- The three participants who were shown C4A were presented with three deposit scenarios to test their understanding of the content presented in the document: deposit of a check “not from an account at this bank;” deposit of a check “from an account at this bank;” and deposit of a government check.
 - ◆ All three participants understood how deposits of checks “not from an account at this bank” would be treated for cash withdrawal. Two of the three participants understood how checks of this type would be treated for check writing. The third participant mistakenly believed none of the funds would be available until the second business day.
 - ◆ All three participants understood how deposits of checks “from an account at this bank” would be treated for both cash withdrawal and check writing.
 - ◆ All three participants understood how government checks would be treated for cash withdrawal and check writing. However, two participants incorrectly calculated what day of the week the funds would become available because they counted the day of the deposit as the first business day.
- The four participants who were shown C410A were presented with the same deposit scenarios as those who were shown C4A.
 - ◆ All but one of the participants understood how checks “not from an account at this bank” would be treated for cash withdrawal. The remaining participant mistakenly referred to the information in the table under “*for writing checks,*” rather than “*for cash withdrawals.*” All participants understood how checks of this type would be treated for check writing.
 - ◆ All four participants understood how checks “from an account at this bank” would be treated for cash withdrawal. Two of the four participants understood how checks of this type would be treated for check writing. The remaining two participants mistakenly referred to the information in the “*other checks*” row of the table, rather than the row for “*checks from an account at this bank.*”
 - ◆ Due to time constraints, only one of the participants was given a scenario in which she deposited a government check. This participant understood how deposits of checks of this type would be treated for cash withdrawals.

Availability Timeline for New Accounts

- Eight participants were asked when funds from the deposit of a personal check would become available if deposited into a new account.
 - ◆ Four participants were able to correctly identify when funds from the deposit of a personal check would be available.

- ♦ Two participants had difficulty with this scenario because they counted calendar days, rather than business days. After being asked by the interviewer to count again, one of the participants realized her error and responded correctly to the scenario. The other participant also realized her mistake; however, she then included the day of the deposit as the first business day, and so did not respond correctly to the scenario.
- ♦ Two participants did not see any information on the disclosure that they thought addressed this scenario.
- Seven participants were asked when funds would be available from a government check deposited by ATM into a new account.
 - ♦ Four participants understood that the funds would be available on the second business day.
 - ♦ Three people incorrectly responded to this scenario. There were two reasons participants answered incorrectly. The first was that some did not know if an ATM deposit would be considered an “in-person” deposit. The second reason was that there were two rows that referenced government checks. One for these types of checks deposited “in-person,” and one for checks not deposited “in-person.” Some participants did not distinguish between these two rows.

Immediate Availability and Holds on Other Funds (C-6 and C-7)

- Understanding of this section varied between participants. When asked whether they could cash a check drawn on another bank:
 - ♦ Three participants used the appropriate section of the disclosure to correctly answer the question.
 - ♦ Three participants initially responded incorrectly or were unable to provide an answer until they were directed by the interviewer to read this section of the disclosure.
 - ♦ Three participants were unable to respond correctly even when directed to the applicable section of the disclosure. They did not understand how this information applied to the scenario.
- Some of the confusion regarding this section appeared to be related to the placement of this clause on the disclosure. On C4A and C410A, the notice was located on the second page and was overlooked. Some confusion also seemed to be due to the policy itself. As one participant exclaimed, “Of course I can withdraw the funds if I have the funds to cover it! I’m just withdrawing my own money!” Several other participants came to the same conclusion.

Longer Delays May Apply:

- All participants who were shown C310A understood that it could take up to seven days for funds to become available. These participants were able to point to the relevant section of the disclosure, and they understood all of the potential reasons that the availability of their funds might be delayed.
- Participants who were shown C4A or C410A were less likely to understand that access to their funds might be delayed for up to seven business days.

- ♦ Of the four participants who were asked this question, only one understood that it could take up to seven business days for funds to become available and could point to the relevant section of the disclosure and explain why their funds might be delayed.
- ♦ Others incorrectly assumed that their funds would be available according the timeline shown in the table. This appeared to be in large part because information about delays was on the second page of C4A and C410A, while it was on the first page of C310A.
- ♦ Once the relevant section about possible delays was pointed out to them, participants who were shown C4A or C410A said they understood the reasons shown in the bulleted list.
- When reading the bulleted list of reasons that their funds might be delayed, two participants indicated that they wanted more information about what contributes to a bank's "belief" that a check will not be paid. Another wanted to know how many overdrafts would lead to the bank deciding to delay a check for "repeated" overdrafts.

Cash-Withdrawal Limitation (C310A and C410A)

- In document C310A, the cash-withdrawal limitation was included as text in a paragraph. In order to test their understanding of the cash-withdrawal limitation, participants were presented with a scenario in which funds from a check deposit were going to be held for three days.
 - ♦ Most participants had difficulty locating the appropriate section of the document and had to be directed by the interviewer before they could respond to the scenario. Having been directed by the interviewer to the applicable section, all participants understood that if a check was held for three business days, the first \$100 would be available the next day, and up to \$400 would be available on the second business day for cash withdrawal.
 - ♦ Two of the four participants also clearly understood that the remaining funds would be available for cash withdrawal on the third business day. The other two participants were unclear about whether it could take up to seven business days for the remaining funds to be available. They said the sentence *"They will generally be available 7 business days after the day of your deposit"* stood out to them more than the information about three-day holds.
- In document C410A, the cash withdrawal limitation was included in the table *"Availability Timeline for Deposits to Established Accounts."* As described above in the section *"Availability Timeline for Deposits to Established Accounts (check deposits),"* all but one of the participants responded correctly to the scenario.

Reasonable Cause Hold Notice (C13A)

- All participants indicated that they found this notice easy to understand. They were able to correctly explain the purpose of the notice and explain the reason for the hold.
- Most participants understood the sentences, *"If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch."* However, one participant asked how the bank would notify someone of a hold if they made the deposit at an ATM.
- No participants thought there was any additional information that should be included on the notice. When specifically asked whether the payor should be listed, some participants thought

this would be helpful to consumers who deposit large numbers of checks frequently—for example, day care providers who routinely deposit multiple checks of the same amount.

- Participants were then shown a list of other possible reasons for a 7-day hold (C13A1) and asked to explain the meaning of each one.
 - ♦ Most participants thought the term *“joint payee”* (in the sentence, *“we are unable to verify the endorsement of a joint payee”*) referred to the signature of one of the people who wrote the check (i.e., a joint payor).
 - ♦ Several participants did not know what was meant by the term *“stale date.”*
 - ♦ In general, participants did not have any difficulty with the other reasons.

Case-by-Case Hold Notice (C16A)

- During the “think aloud” portion of the interview for this notice, it was clear that most participants incorrectly assumed the amount held by the bank (\$1,650) was also the full amount of the deposit. They did not initially notice that the total amount actually deposited was \$1,750.
- All participants understood when they would have access to the entire deposit, as well as when funds would be available for cash withdrawals and debit card transactions.
- All but one participant understood when funds would be available for check writing. The remaining participant mistakenly referred to the date the entire deposit would be available.

Subsequent Design Decisions

Model Notices C17A and C18A

- **C17A:** Because participants consistently understood this document, no changes were made.
- **C18A:** Because participants consistently said that this document was more difficult to read and understand than C17A, the document was modified to be consistent with C17A by placing the funds availability information in a table.

Model Disclosures C310A, C4A, and C410A

- All disclosure documents:
 - ♦ Because more than half of participants were unable to clearly articulate the meaning of the sentences *“Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account,”* the phrasing was changed to “If you withdraw funds from a check deposit, and the check is later returned unpaid, we may charge the check back to your account.”
 - ♦ Because many participants were not sure what qualified as an “in-person” deposit, the phrase *“deposit made in person”* was changed to “deposit made with a teller.”
 - ♦ Because many participants overlooked the section *“Immediate Availability and Holds on Funds in Other Accounts,”* this section was moved up in the document, closer to the *“Availability Timeline for Established Accounts”* table. (For C410A, this meant that the section was moved from the second page to the first page.)

- ♦ To address portions of the “*Availability Timeline for New Accounts*” table that participants found confusing, the following modifications were made:
 - *U.S. Treasury checks* were placed in a separate row.
 - To reduce the risk that consumers would not distinguish between the two rows that contained information about “*Government, cashier’s, certified, teller’s, or traveler’s checks...*,” these rows were combined.
 - Because a few participants did not know that personal checks were classified as “*other checks*,” examples of “*other checks*” were provided (e.g., *personal checks, or checks not written to you*).
- **C310A:** In order to make the “*Longer Delays May Apply*” section easier to understand, the text describing the general policy was simplified, the text for the 3-business day hold was separated from the general policy, and the details of the 3-business day hold were presented as a bulleted list (the same format as the 7-business day hold).
- **C4A:** Because participants generally understood this document and, where they struggled, struggled with concepts that appeared within one or both of the other disclosure documents, the decision was made not to include this document in the second round of testing. (The document was modified after the final round of testing in a manner consistent with the changes that were made to C310B and C410B.)
- **C410A:**
 - ♦ The phrase “*business day*” was printed in boldface in the section defining a business day.
 - ♦ To address portions of the “*Availability Timeline for Established Accounts*” table that participants found confusing, the following modifications were made:
 - “*Check from an account at this bank*” was placed in a separate row;
 - Examples were added to “*other checks*” in order to be consistent with the changes made to the “*Availability Timeline for Deposits to New Accounts*” table as previously discussed; and
 - The sentence “*Any remainder over \$5,000 is available in 7 business days for cash withdrawal and for writing checks*” was added to the availability portion of the table for “*other checks*” in the “*Availability Timeline for Deposits to Established Accounts*.”

Model Notices C13A and C16A

- **C13A:** Because participants consistently understood this document, no changes were made. Because several participants did not understand the phrase “*the endorsement of a joint payee*” (on C13A1), this wording was changed to “*an endorsement on the check*.”
- **C16A:**
 - ♦ Because participants in this round of testing had difficulty correctly identifying the amount of the deposit and the amount being held, the heading of the document, “3-DAY HOLD on \$1,650.00” was changed to “HOLD on a check for \$1,750.00.” The rows in the table that indicated the amount of the hold and the total deposit amount were then removed.

- ♦ Because participants also had difficulty identifying when funds would be available, the availability timeline was also revised (e.g., “the first \$100 will be available on [date]...”).

Interviews in Denver, Colorado (September 2010)

Objectives and Methodology

Following the first round of testing, ICF Macro reviewed the findings and, in consultation with Board staff, revised the documents to improve readability. Once these revisions were complete, the revised documents were tested through 11 cognitive interviews in Denver, Colorado on September 13 and 14, 2010.⁸

Six documents were tested in the second round of interviews, most of which were slightly modified versions of documents tested in the first round: C310B, C410B, C13A (tested with C13B1), C16B, C17A, and C18B.⁹ All forms that were shown to testing participants are provided in Appendix C.

Interview Protocol

While some individual interview questions changed from the first round, the structure of the interview protocol did not change and included the following sections:

- **Beliefs Regarding Funds Availability Policies:** Before they were shown any disclosure forms, participants were asked to explain when, based on their prior experience and knowledge, various types of deposits become available.
- **Notice at Locations Where Employees Accept Consumer Deposits:** Participants were given document C18B, and then C17A. Participants first reviewed each document and then answered a series of questions designed to probe their understanding of the information in the document.
- **Introduction to Disclosure:** Participants were given one of two revised disclosures (C310B or C410B) and asked to “think aloud” as they read through it. They were then asked general questions about the disclosure, including what the purpose of the document was; what (if anything) they found surprising, confusing or difficult to understand; how important they believed the information in the document to be; and if they would like any other information to be included.
- **Understanding of Disclosure:** Following the general questions about the disclosure, the interviewer tested participants’ understanding of the document by asking them to use the information presented to identify when funds would be available for several different deposit scenarios.

⁸ Analysis was conducted on only 10 of the 11 second-round interviews because one participant consistently responded based on his own banking experience, rather than the document presented, even after being repeatedly reminded by the interviewer to use the documents. Because of this consistent inaccuracy, his responses are not reported here.

⁹ Documents labeled with an “A” did not change from the first round; documents labeled with a “B” were modified for the second round of interviews based on findings from the first round of interviews.

- **Reasonable Cause Hold Notice:** Participants were given document C13A and asked to “think aloud” as they read through it. They were then asked several questions about the information in the notice to test their understanding of the content. Participants were then shown a list of other possible reasons for the hold (C13B1) to see if they understood them.
- **Case-by-Case Hold Notice:** Participants were given document C16B and asked to “think aloud” as they read through it. They were then asked several questions to test their understanding of the content.

Key Interview Findings

Participants’ Preexisting Beliefs Regarding Funds Availability Policies

Participants were asked when they believed that different types of deposits made to their account would be available.

- All but one of the participants thought that funds from electronic direct deposits would be available the same day they are deposited. The remaining participant believed those funds would be available in 24 to 48 hours.
- All but one participant said they would have same day access to funds they deposited in cash. This remaining participant said a cash deposit would be available in 24 to 48 hours.
- Eight participants said that funds from check deposits would not be available immediately. The remaining participants said they thought some types of checks (e.g., payroll checks) would be available immediately but that there was a delay for personal check deposits. One of these participants said that only the first \$100 of a personal check deposit would be available right away.
- None of the participants expected the availability of funds to vary depending on the method of withdrawal.

Notices at Locations Where Employees Accept Consumer Deposits (C18B and C17A)

Participants were asked to indicate if there was anything confusing in these notices, and then indicate for each notice when a deposited check would be available.

Notice C18B

- All participants accurately described the purpose of the notice and said there was nothing they did not understand.
- As in Round 1, participants were presented with a scenario in which they had deposited a \$600 “check from an account that was not at this bank,” and were then asked when funds from that deposit would be available based on the information presented in C18B.
 - ♦ Unlike Round 1, all participants understood they would usually be able to access funds on the next business day.
 - ♦ In this round, more participants understood that in some cases the funds may not be available until the second business day; however, some participants failed to notice this

information in the first sentence beneath the table. Once participants were directed to sentence by the interviewer, they were able to correctly answer the question.

- As in Round 1, two participants said they would want the document to include information about the possible reasons for a hold on deposited funds. No other participants had suggestions for additional information that should be included in the notice.

Notice C17A

- As in Round 1, participants found this document easy to understand and did not have any suggestions for additional information that should be included.
 - ♦ All participants were able to accurately describe the purpose of this notice. All but one of the participants said the information presented in the notice was very important and would influence their banking decisions (e.g., whether or not to use direct deposit, and whether or not to have an account at that bank).
 - ♦ All participants correctly explained what was meant by the phrase *“check from an account at this bank.”*
 - ♦ Participants were presented with a scenario in which they deposited a \$600 “check from an account that is not at this bank,” and were then asked several questions to test their understanding of the document. All participants understood that they would have access to the first \$100 on the next business day and that the remainder would be available the second business day.

Introduction to Disclosure (C310B and C410B)

Participants were asked to “think aloud” while they reviewed the document and were then asked a series of questions. Five participants were shown C310B and five participants were shown C410B.

Purpose of the Document

- All participants understood that the purpose of the document was to inform consumers of when funds from different types of deposits would be available.

Concepts That Were Surprising, Confusing, or Difficult to Understand

- As in Round 1, several participants said they were surprised that funds from cash deposits and wire transfers would not be available immediately. Two participants also said they were surprised that a delay was applied to government and treasury checks.
- All but three participants understood the sentence, *“If you withdraw funds from a check deposit, and the check is later returned unpaid, we may charge the check back to your account.”* This represented an improvement in comprehension with the revised wording compared to the original wording used in Round 1.

Understanding of Disclosure (C310B and C410B)

Availability Timeline for Deposits to Established Accounts (direct deposits and cash)

- As in Round 1, all participants understood that funds from direct deposits are available for withdrawal on the same day of the deposit.

- Only six of the 10 participants correctly identified when funds from a direct deposit would be available to write a check.
 - ♦ Three of the participants who responded incorrectly had focused on the key phrase “check writing” in the question they were asked, and when they reviewed the table, incorrectly referred to the section titled “*for writing checks.*” However, this section detailed how funds from “*other checks.*” would be made available. Consequently, instead of referring to the section on how funds from “*electronic direct deposits.*” would be made available, they misread the table and provided the answer for how funds from “*other checks.*” would be made available.
 - ♦ The remaining participant incorrectly used the table for new accounts to respond to the question. He said he found it easier to understand because it “had more detail.”
- In an improvement from Round 1, all participants understood that an ATM deposit would not count as a deposit made with a teller.
- All but two participants understood that cash deposits would be available for debit card transactions or check writing the next business day if deposited with a teller or in two business days if not deposited in person. Of those who had difficulty with this scenario,
 - ♦ One participant explained that she did not understand whether the deposit would be available *on* or *after* the second business day.
 - ♦ The other participant explained that he looked for the key words “check writing” from the scenario in the table, which incorrectly led him to the row for “*other checks,*” rather than “*cash deposit.*”

Availability Timeline for Deposits to Established Accounts (check deposits)

- Of those who were shown C310B, all but one participant understood that all funds for deposited checks would usually be available for cash withdrawal the next business day after the day of deposit. The remaining participant responded incorrectly because he was referring to the table for new accounts. When asked, he was unable to explain the difference between the established-account and new-account tables or why someone would refer to one but not the other.
- Of those who were shown C310B, all but one participant understood that all funds for deposited checks would usually be available for writing checks the next business day after the day of deposit. The remaining participant referred to the “*Longer Delays May Apply*” section and insisted that none of the funds would be available until the third business day.
- Participants who were shown C410B were given three different scenarios to test their understanding of the content. In the first scenario, participants were asked to imagine they had deposited a \$600 check “from an account that is not at this bank.”
 - ♦ All but two participants understood how deposits of checks of this type would be treated for check writing. The remaining participants answered incorrectly because they were applying the policy for “*cash withdrawal,*” rather than the policy for “*check writing.*”
 - ♦ All but one participant understood how deposits of checks of this type would be treated for cash withdrawals. The other participant mistakenly referred to the table for new accounts.

Once redirected by the interviewer to the applicable section of the disclosure, the participant responded correctly to the scenario.

- In the second scenario, participants were asked to imagine that they had deposited a \$600 check “from an account at this bank.”
 - ♦ All participants understood how deposits of checks of this type are treated for cash withdrawals.
 - ♦ All but one participant understood how deposits of checks of this type are treated for check writing. The remaining participant mistakenly referred to the information in the “*other checks*” row, rather than the “*checks from an account at this bank*” row.
- In the third scenario, participants were asked to imagine they had deposited a government check. All participants understood how deposits of checks of this type are treated for cash withdrawals and for check writing.

Availability Timeline for New Accounts

- Unlike Round 1, all but one participant understood when funds from the deposit of a personal check would become available if deposited into a new account. The remaining participant counted calendar days, rather than business days. When the interviewer pointed this out, the participant corrected her mistake and responded correctly to the scenario.
- Participants were then presented with a scenario in which they had made an ATM deposit of a government check into a new account. In an improvement to Round 1, all but two participants understood when funds from a deposit of this type would be available, because they understood that an ATM deposit would not be considered as being “deposited with a teller.”
- The remaining two participants mistakenly referred to the row in the table for a “*U.S. Treasury check*.” The interviewer explained to these participants that a U.S. Treasury check was treated differently than a government check. The participants were then able to use the appropriate section of the table and correctly responded to the scenario.

Immediate Availability and Holds on Other Funds (C-6 and C-7)

- Half of the participants understood that they could immediately access funds from a check deposit if they had the funds to cover the check in any of their other accounts, and that those funds would be held until the check cleared. This represented an improvement compared to the responses received during Round 1.
- As with Round 1, those participants who did not respond correctly to this scenario were unable locate the applicable section in the document. Once directed by the interviewer to correct section, they understood what it meant. Two of these participants suggested using the phrase “check cashing” or “cashing a check” in the heading for this section.

Longer Delays May Apply

- In contrast with Round 1, participants did not have any difficulty locating the “*Longer Delays May Apply*” section of the disclosure to accurately answer the related questions. All participants understood that it could take up to seven days for funds to become available.

- All participants understood most of the bulleted points listing the reasons their ability to withdraw funds from check deposits might be delayed with the following exceptions:
 - ♦ Three participants said they were not sure what was meant by “*redeposit a check.*”
 - ♦ As with Round 1, three other participants wanted to know what would contribute to a bank’s belief that a check would not be paid.

Cash-Withdrawal Limitation

- In document C310B, the cash withdrawal limitation information was presented as a bulleted list below the “*Availability Timeline for Deposits to Established Accounts*” table. (This was changed from C310A, in which the information was included as text in a paragraph below the table.) Participants were then asked several questions about the availability of funds from a deposit that was held on a case-by-case basis.
 - ♦ All five participants correctly explained when funds from a check deposit would be available for cash withdrawal.
 - ♦ Participants were then asked when was the earliest they would be able to write a check against any of the funds from that deposit. Two of the participants understood that the first \$100 would be available on the next business day. The remaining participants initially thought none of the funds would be available until the second business day. When asked by the interviewer to re-read the applicable section of the disclosure, the participants then correctly understood that they would have access to a portion of the funds (\$100) on the next business day.
 - ♦ Three of the participants correctly understood that the remaining funds would be available for check writing on the second business day. The other participants initially thought the remaining funds would not be available until the third business day.
- In document C410B, the cash withdrawal limitation was included in the table “*Availability Timeline for Deposits to Established Accounts.*” As described above in the section “Availability Timeline for Deposits to Established Accounts (check deposits),” all but one of the participants responded correctly to the cash withdrawal limitation scenario.

Reasonable Cause Hold Notice (C13A)

- None of the participants reported finding anything in the notice confusing, and none identified any additional information that they thought it would be helpful to include.
- All participants were able to correctly explain the purpose of the notice, the reason for the hold, and what was meant by the phrase “*paying bank.*”
- Most participants understood the sentences, “*If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.*” However, two participants did not understand that the fees would only be refunded once the deposited check was paid.
- Participants were then shown C13B1, a list of other possible reasons for a 7-day hold, and asked to explain the meaning of each one. All participants correctly explained each of the reasons with the following exceptions:

- ♦ Only one participant understood that the statement, “*We are unable to verify an endorsement on the check*” referred to a signature on the back of the check. Five participants thought it referred to the check writer’s signature; two participants thought “*endorsement*” referred to something the bank did to the check; and two participants said they were not familiar with the word “*endorsement*.”
- ♦ Five participants did not know what was meant by the term “*stale date*.”
- ♦ Three participants did not understand the statement, “*The check is drawn on an account with repeated overdrafts*.” They thought the account that had repeated overdrafts referred to their account, rather than the check writer’s account.

Case-by-Case Hold Notice (C16B)

- All participants correctly understood the purpose of the notice.
- In contrast to Round 1, all participants understood when they would have access to the entire deposit and all but one of the participants correctly understood when they would have access to up to the first \$500 of the deposit to make a debit card purchase. The remaining participant answered incorrectly because he assumed that a debit card purchase would be treated like a check, and believed he would have access at 9:00 am, rather than 5:00 pm on that day.
- All participants understood when funds would be available for check writing.
- When asked if there was any additional information they would like to see on the form, two participants said they wanted to know why the hold was placed. Two other participants asked whether debit card transactions were treated like cash or treated like checks.

Subsequent Design Decisions for Proposed Model Forms

Model Notices C-17 and C-18

- Because of the success of C17A, ICF Macro and the Board collaboratively agreed that C-17 remain consistent with the sample (C17A) tested.
- Because some interview participants did not notice the first sentence beneath the table in C18B, ICF Macro and the Board agreed to move the substance of that sentence into the lower-right-hand cell of the table on that form. Specifically, “*the next business day*” in the row “*Any other method (e.g., cash, check, wire transfer)*” would be replaced with “Usually the next business day. However, we may place a hold on check deposits. In these cases, funds will generally be available by the second business day after the deposit.” The corresponding language beneath the table would be deleted.

Model Disclosures C-3 and C-4

- Because some interview participants did not notice the language regarding immediate availability, or understand how that language related to check cashing, ICF Macro and the Board agreed to change the heading for that section to “Check Cashing, Immediate Availability, and Holds on Other Funds.”

Model Notices C-13 and C-16

- Because of the success of C13A, ICF Macro and the Board agreed that the format of C-13 remain consistent with the sample (C13A) tested. Because some participants struggled with the specifics of two of the other possible reasons for a seven-day hold, the following changes were agreed upon:
 - ♦ Reason tested in Round 1: “We are unable to verify the endorsement of a joint payee.”
Reason tested in Round 2: “We are unable to verify an endorsement on the check.”
 - Change to: “We are unable to verify a signature on the back of the check.”
 - ♦ Reason tested in Rounds 1 and 2: “The check is postdated or has a stale date.”
 - Separate this reason into two reasons, with the first reason being, “The check is postdated,” and the second reason being “The check has a stale date, that is, it was written too long ago and is expired.”
- Because of the success of C16B, ICF Macro and the Board agreed that C-16 remain consistent with the sample (C16B) tested in the second round.

Chapter IV: Summary

This report summarizes work conducted by ICF Macro from June 2010 through September 2010 in support of the Board's efforts to revise rules pertaining to funds availability disclosures. ICF Macro conducted cognitive interviews with consumers to inform the design of disclosure forms that are clearer and more understandable than those currently in use. This work focused on three different kinds of documents—

- Notices that would be posted where deposits are accepted and describe a bank's funds availability policy;
- Longer disclosures that would be provided to consumers that describe a bank's funds availability policy in more detail; and
- Notices to consumers that a hold has been placed on funds from a deposit.

The results of the interviews described in this report will inform the Board's proposed rule and request for public comment, which is expected to be published in late 2010. The disclosures and notices developed through the iterative testing discussed herein will be included within the proposal as model forms. By undertaking direct consumer testing as part of the development of these forms, the Board hopes to ensure that its proposed regulations will lead to disclosures that are easy for consumers to read and understand and, as a result, will help them make well-informed financial decisions.

Appendix A: Sample Recruiting Protocol

Participant Screener for Federal Reserve Board In-Depth Interviews
Denver, CO
September 13th and 14th, 2010

General Information and Recruiting Specifications

- Interviews will be held at 10:00am, 11:30am, 1:45pm, 3:30pm, and 5:00pm on Monday.
 - Interviews will be held at 8:00am, 9:30am, 11:00am, 1:15pm, and 2:45pm on Tuesday.
 - A total of 12 recruits – 6 for each day (5 interviewees and one PM floater for Monday 1:45-6:15pm and one AM floater for Tuesday 8:00am-12:15pm).
 - Participant stipend is \$75. Floater stipend \$150.
 - INTERVIEWERS: Ask all participants to bring their reading glasses if necessary, because they will be asked to read documents as part of the interview.
-

Recruiting Script

Hello, I am calling on behalf of the United States Federal Reserve Board. The Federal Reserve Board is sponsoring a series of interviews in your area so that they can learn about how consumers make sense of certain financial documents. They will use what they learn from these interviews to help make sure that the information that banks provide to consumers about the availability of deposits made to their financial institution is easily understood. I would like to ask you a few questions to determine if you are a candidate for an interview.

Q1: Do you work, or have you ever worked, for a bank or other financial institution?

- ☐ Yes → *Thank respondent politely and end call.*
- ☐ No → Continue

Q2: Do you currently have a personal checking or savings account in your name?

- ☐ Yes (*personal joint account holders also qualify*) → Continue
- ☐ No → *Thank respondent politely and end call.*

Q3: Do you use money from your personal checking or savings account each month to pay bills or for any other reason?

- ☐ Yes → Continue
- ☐ No → *Thank respondent politely and end call.*

Q4: What is the average combined balance of your personal checking and savings account, over the past 6 months?

- ☐ <500 → Participant qualifies in Quota A (**4 recruits**)
- ☐ 500-1500 → Participant qualifies in Quota B (**4 recruits**)
- ☐ 1500-5000 → Participant qualifies in Quota C (**2 recruits**)

FINAL

- ❑ 5000+ → *Thank respondent politely and end call. Record contact information for all users who fall into this category for potential future use.*

Q5: Have you participated in any focus groups in the past 6 months?

- ❑ Yes → *Thank respondent politely and end call.*
- ❑ No → Continue

Q6: ARTICULATION: In a few sentences, please explain what you think it means when a bank places a “hold” on a check.

- ❑ If respondent gives thoughtful, articulate answer → Continue
- ❑ If respondent does not give a thoughtful, articulate answer → *Thank respondent politely and end call.*

Based on your responses so far, you qualify for participation in this study. I just have a few additional questions.

Q7: Which of the following categories best reflects your race or ethnicity? You can choose more than one category. [*Respondents who wish to choose more than one category should be counted as minorities, even if one race mentioned is White.*]

- a) White (**4 recruits**)
- b) Black or African-American (**2 recruits**)
- c) Hispanic or Latino (**2 recruits**)
- d) Asian or Pacific Islander
- e) Native American or Alaska Native

At least 2 recruits to respond “d,” “e”

Q8: What is the highest level that you reached in school?

- a) High school diploma or less (**3 recruits**)
- b) Some college work (**4 recruits**)
- c) College graduate (**3 recruits**)

Q9: What is your age?

- a) 18-25 years (**3-4 recruits**)
- b) 25+ years (**6-7 recruits**)

IF PARTICIPANT QUALIFIES: We would like to invite you to participate in an interview which will be held at FieldWork facility in Denver, CO on September 13th and 14th. Would you be interested in participating?

- ❑ Yes → Continue
- ❑ No → *Record reason (not interested, not available on that date, etc.). If unavailable on that date, retain their information because we may do additional rounds of testing in the future. Thank them politely and end call.*

FINAL

The interview will last about 75 minutes. We will be showing you some sample financial documents for you to review, so if you use reading glasses please be sure that you bring them. We will provide you with a \$75 stipend for participating in the interview, as well as light refreshments.

Appendix B: Participant Demographics

	Alexandria, VA August 19-20, 2010	Denver, CO September 13-14, 2010	Total ¹
Gender			
Male	4	6	10 (48%)
Female	6	5	11 (52%)
<i>Total</i>	10	11	21 (100%)
Ethnicity			
White	3	6	9 (43%)
African American	5	1	6 (28%)
Hispanic or Latino	2	2	4 (19%)
Asian or Pacific Islander	0	1	1 (5%)
Native American or Alaska Native	0	1	1 (5%)
<i>Total</i>	10	11	21 (100%)
Education			
High school diploma or less	1	4	5 (24%)
Some college work	3	3	6 (28%)
College graduate	6	4	10 (48%)
<i>Total</i>	10	11	21 (100%)
Age			
18-25 years	N/A	6	6 (55%)
25+ years	N/A	5	5 (45%)
<i>Total</i>	N/A	11	11 (100%)
Average Balance (checking and savings)			
<\$500	4	4	8 (38%)
\$500 - \$1,500	2	4	6 (28%)
\$1,500 - \$5,000	4	3	7 (33%)
<i>Total</i>	10	11	21 (100%)

¹Due to rounding, may not total to 100%.

Appendix C:

Disclosure Forms Used in Testing

Round 1:
Alexandria, VA—August 19-20, 2010

Model Notices of Funds Availability Policies (C-17 and C-18)

Model Disclosures of Funds Availability Policies (C-3 and C-4)

Model Notices of Holds on Deposited Checks (C-13 and C-16)

DEPOSIT AVAILABILITY POLICY

How soon can I withdraw funds deposited into my account?

When a deposit is made by ...	Deposited funds are available ...
Electronic direct deposit	<ul style="list-style-type: none">• The same day.
Cash; wire transfer; cashier's, certified, teller's or government check; or a check from an account at this bank	<ul style="list-style-type: none">• The next business day.
Any other check	<ul style="list-style-type: none">• The first \$100 is available the next business day.• The remainder is available on the second business day after the deposit.

DEPOSIT AVAILABILITY POLICY

How soon can I withdraw funds deposited into my account?

- *Electronic deposits* made to your account before 5:00 pm are available **the same day**.
- Funds deposited through other methods (e.g., check, cash, wire transfer) are available on **the next business day**.

In some cases, we may place a hold on deposits made by check. In these cases funds will generally be available on the second business day after the deposit, although we may hold check deposits for up to 7 business days.

A business day is any day of the week except Saturdays, Sundays, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

If you will need the funds from a check deposit right away, you should ask us when the funds will be available.



DEPOSIT AVAILABILITY POLICY

The following is our general policy for deposits to accounts open for 30 days or more. **Longer delays may apply** (see below), and different rules apply for **checks deposited to accounts open fewer than 30 days** (see page 2).

Availability Timeline for Deposits to Established Accounts

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none">• Electronic direct deposit	<ul style="list-style-type: none">• The same business day
<ul style="list-style-type: none">• Wire transfer• Cash	<ul style="list-style-type: none">• The next business day
<ul style="list-style-type: none">• Check	<ul style="list-style-type: none">• Usually the next business day, but see “Longer Delays May Apply” below

Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account.

What is a “Business Day?”

A business day is any day of the week except Saturday, Sunday, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

Longer Delays May Apply

In some cases, funds from check deposits may not be available until the 3rd business day after the day of your deposit. However, the first \$100 of your deposits will be available on the next business day. For purposes of paying checks you write, the remainder is available on the second business day. For cash-withdrawal purposes, an additional \$400 is available on the second business day at or after 5:00 p.m. Any remaining funds are available for cash withdrawal on the third business day after the day of the deposit.

We will notify you if we delay your ability to withdraw funds, and we will tell you when the funds will be available.

If you will need the funds from a check deposit right away, you should ask us when the funds will be available.

Your ability to withdraw check deposits may be further delayed if:

- We believe a deposited check will not be paid.
- You deposit checks totaling more than \$5,000 on any 1 day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last 6 months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. **They will generally be available 7 business days after the day of your deposit.**

Immediate Availability and Holds on Other Funds

We may cash a check or make a check deposit available immediately if you have funds to cover that check in one of your accounts with us. If we do, we will hold the funds in your account (equal to the amount of the check deposit) as described above in this policy. For example, if we believe the check will not be paid, we may place a hold of up to 7 days on the funds.

DEPOSIT AVAILABILITY POLICY (continued)

Availability Timeline for Deposits to New Accounts (Open Fewer Than 30 Days)

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none"> • Electronic direct deposit 	<ul style="list-style-type: none"> • The same business day
<ul style="list-style-type: none"> • Wire transfer 	<ul style="list-style-type: none"> • The next business day
<ul style="list-style-type: none"> • Cash 	<ul style="list-style-type: none"> • The next business day if deposited in person, otherwise 2 business days
<ul style="list-style-type: none"> • U.S. Treasury check • Government, cashier's, certified, or teller's check payable to you and deposited in person with a special deposit slip* 	<ul style="list-style-type: none"> • The first \$5,000 is available on the next business day • Any remainder over \$5,000 is available in 9 business days
<ul style="list-style-type: none"> • Government, cashier's, certified, or teller's check payable to you but not deposited in person or deposited without a special deposit slip* 	<ul style="list-style-type: none"> • The first \$5,000 is available in 2 business days • Any remainder over \$5,000 is available in 9 business days
<ul style="list-style-type: none"> • Other checks not specifically described above 	<ul style="list-style-type: none"> • In 10 business days

* *Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.*



DEPOSIT AVAILABILITY POLICY

When a deposit is made to your account, the funds may not be available immediately. For example, if you deposit a check on Monday, you may not be able to withdraw the funds from that check, and we may not pay another check with those funds, until Tuesday or even later. See the *Availability Timeline* below for details about when you can use the funds from different types of deposits.

Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account.

Availability Timeline for Deposits to Established Accounts

Below is our general policy for deposits to your account. **Longer delays may apply**, and different rules apply for **checks deposited to new accounts** (see page 2).

A business day is any day of the week except Saturday, Sunday, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none">• Electronic direct deposit	<ul style="list-style-type: none">• The same business day
<ul style="list-style-type: none">• Wire transfer	<ul style="list-style-type: none">• The next business day
<ul style="list-style-type: none">• Cash	<ul style="list-style-type: none">• The next business day if deposited in person, otherwise 2 business days
<ul style="list-style-type: none">• Check from an account at this bank• U.S. Treasury check• Government, cashier's, certified, or teller's check payable to you and deposited in person with a special deposit slip*• Postal money order, Federal Reserve Bank check, or Federal Home Loan bank check payable to you and deposited in person	<ul style="list-style-type: none">• The first \$5,000 is available on the next business day• Any remainder over \$5,000 is available in 7 business days (or 2 business days if the check is written from an ABC Bank account)
<ul style="list-style-type: none">• Other checks not specifically described above	<ul style="list-style-type: none">• The first \$100 is available on the next business day• The remainder (up to \$5,000) is available in 2 business days• Any remainder over \$5,000 is available in 7 business days

* *Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.*

DEPOSIT AVAILABILITY POLICY (continued)

Longer Delays May Apply

Your ability to use funds deposited by check may be further delayed if:

- We believe a deposited check will not be paid.
- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last 6 months.
- There is a bank emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. **They will generally be available no more than 7 business days after the day of your deposit.**

Immediate Availability and Holds on Other Funds

We may cash a check or make a check deposit available immediately if you have funds to cover that check in one of your accounts with us. If we do, we will hold the funds in your account (equal to the amount of the check deposit) as described above in this policy. For example, if we believe the check will not be paid, we may place a hold of up to 7 days on the funds.

Availability Timeline for Deposits to New Accounts (Open Fewer Than 30 Days)

When a deposit is made by ...	Deposited funds are available ...
• Electronic direct deposit	• The same business day
• Wire transfer	• The next business day
• Cash	• The next business day if deposited in person, otherwise 2 business days
• U.S. Treasury check • Government, cashier's, certified, or teller's check payable to you and deposited in person with a special deposit slip*	• The first \$5,000 is available on the next business day • Any remainder over \$5,000 is available in 9 business days
• Government, cashier's, certified, or teller's check payable to you but not deposited in person or deposited without a special deposit slip*	• The first \$5,000 is available in 2 business days • Any remainder over \$5,000 is available in 9 business days
• Other checks not specifically described above	• In 10 business days

* *Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.*



DEPOSIT AVAILABILITY POLICY

When a deposit is made to your account, the funds may not be available immediately. For example, if you deposit a check on Monday, you may not be able to withdraw the funds from that check, and we may not pay another check with those funds, until Tuesday or even later. See the *Availability Timeline* below for details about when you can use the funds from different types of deposits.

Even after funds from your check deposits are available and you have withdrawn them, you are responsible if the deposited checks are returned unpaid. We may charge such checks back to your account.

Availability Timeline for Deposits to Established Accounts

Below is our general policy for deposits to your account. **Longer delays may apply**, and different rules apply for **checks deposited to new accounts** (see page 2).

A business day is any day of the week except Saturday, Sunday, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none">• Electronic direct deposit	<ul style="list-style-type: none">• The same business day
<ul style="list-style-type: none">• Wire transfer	<ul style="list-style-type: none">• The next business day
<ul style="list-style-type: none">• Cash	<ul style="list-style-type: none">• The next business day if deposited in person, otherwise 2 business days
<ul style="list-style-type: none">• Check from an account at this bank• U.S. Treasury check• Government, cashier's, certified, or teller's check payable to you and deposited in person with a special deposit slip*• Postal money order, Federal Reserve Bank check, or Federal Home Loan bank check payable to you and deposited in person	<ul style="list-style-type: none">• The first \$5,000 is available on the next business day• Any remainder over \$5,000 is available in 7 business days (or 2 business days if the check is written from an ABC Bank account)
<ul style="list-style-type: none">• Other checks not specifically described above	<p>For writing checks:</p> <ul style="list-style-type: none">• The first \$100 is available on the next business day• The remainder is available in 2 business days <p>For cash withdrawal:</p> <ul style="list-style-type: none">• The first \$100 is available on the next business day• Up to an additional \$400 is available on the second business day at 5:00 p.m.• The remainder is available in 3 business days

* *Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.*

DEPOSIT AVAILABILITY POLICY (continued)

Longer Delays May Apply

Your ability to use funds deposited by check may be further delayed if:

- We believe a deposited check will not be paid.
- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last 6 months.
- There is a bank emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no more than 7 business days after the day of your deposit.

Immediate Availability and Holds on Other Funds

We may cash a check or make a check deposit available immediately if you have funds to cover that check in one of your accounts with us. If we do, we will hold the funds in your account (equal to the amount of the check deposit) as described above in this policy. For example, if we believe the check will not be paid, we may place a hold of up to 7 days on the funds.

Availability Timeline for Deposits to New Accounts (Open Fewer Than 30 Days)

When a deposit is made by ...	Deposited funds are available ...
• Electronic direct deposit	• The same business day
• Wire transfer	• The next business day
• Cash	• The next business day if deposited in person, otherwise 2 business days
• U.S. Treasury check • Government, cashier's, certified, or teller's check payable to you and deposited in person with a special deposit slip*	• The first \$5,000 is available on the next business day • Any remainder over \$5,000 is available in 9 business days
• Government, cashier's, certified, or teller's check payable to you but not deposited in person or deposited without a special deposit slip*	• The first \$5,000 is available in 2 business days • Any remainder over \$5,000 is available in 9 business days
• Other checks not specifically described above	• In 10 business days

*Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.

NOTICE OF HOLD ON DEPOSIT

This notice is to inform you that we are placing a

7-DAY HOLD on \$500.00

recently deposited to your account.

You will not be able to withdraw or otherwise use any money from the deposit described below until the hold is removed in 7 business days on **August 30, 2010**.

Account Holder:	Morgan Doe
Account Number:	12345678
Date of Deposit:	August 19, 2010
Deposit Amount:	\$500.00
Hold Amount:	\$500.00
Funds will be available:	August 30, 2010
Reason for Hold:	Information from the paying bank has indicated that this check may not be paid.

If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.

C13A1

1. We received notice that the check is being returned unpaid.
2. We have confidential information that indicates that the check may not be paid.
3. The check is drawn on an account with repeated overdrafts.
4. We are unable to verify the endorsement of a joint payee.
5. Some information on the check is not consistent with other information on the check.
6. There are apparent alterations on the check.
7. The routing number of the paying bank is not a current routing number.
8. The check is postdated or has a stale date.
9. We have been notified that the check has been lost or damaged in collection.

NOTICE OF HOLD ON DEPOSIT

This notice is to inform you that we are placing a

3-DAY HOLD on \$1,650.00

recently deposited to your account.

You will not have full access to all the money from the deposit described below until the hold is removed in 3 business days on **August 24, 2010**. See below for more information.

Account Holder:	Morgan Doe
Account Number:	12345678
Date of Deposit:	August 19, 2010
Deposit Amount:	\$1,750.00
Hold Amount:	\$1,650.00
Funds will be available:	August 24, 2010 However: <ul style="list-style-type: none">• These funds on hold will be available for <i>paying checks</i> you have written beginning at 9:00 am on August 23, 2010.• \$400 of these funds on hold will be available for <i>cash withdrawal, check card, or debit card transactions</i> beginning at 5:00 pm on August 23, 2010.

If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.

Appendix C:

Disclosure Forms Used in Testing

Round 2:
Denver, CO—September 13-14, 2010

Model Notices of Funds Availability Policies (C-17 and C-18)

Model Disclosures of Funds Availability Policies (C-3 and C-4)

Model Notices of Holds on Deposited Checks (C-13 and C-16)

DEPOSIT AVAILABILITY POLICY

How soon can I withdraw funds deposited into my account?

When a deposit is made by ...	Deposited funds are available ...
Electronic direct deposit	<ul style="list-style-type: none">• The same day
Cash; wire transfer; cashier's, certified, teller's or government check; or a check from an account at this bank	<ul style="list-style-type: none">• The next business day
Any other check	<ul style="list-style-type: none">• The first \$100 is available the next business day• The remainder is available on the second business day after the deposit

DEPOSIT AVAILABILITY POLICY

How soon can I withdraw funds deposited into my account?

When a deposit is made by ...	Deposited funds are available ...
Electronic direct deposit	<ul style="list-style-type: none">• The same day
Any other method (e.g., cash, check, wire transfer)	<ul style="list-style-type: none">• The next business day

In some cases, we may place a hold on deposits made by check. In these cases funds will generally be available on the second business day after the deposit.

If you will need the funds from a check deposit right away, you should ask us when the funds will be available.



DEPOSIT AVAILABILITY POLICY

The following is our general policy for deposits to accounts open for 30 days or more. **Longer delays may apply** (see below), and different rules apply for **checks deposited to accounts open fewer than 30 days** (see page 2).

If you withdraw funds from a check deposit, and the check is later returned unpaid, we may charge the check back to your account.

Availability Timeline for Deposits to Established Accounts

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none">• Electronic direct deposit	<ul style="list-style-type: none">• The same business day
<ul style="list-style-type: none">• Wire transfer• Cash	<ul style="list-style-type: none">• The next business day
<ul style="list-style-type: none">• Check	<ul style="list-style-type: none">• Usually the next business day, but see "Longer Delays May Apply" below

What is a "Business Day?"

A business day is any day of the week except Saturday, Sunday, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

Immediate Availability and Holds on Funds in Other Accounts

We may cash a check or make a check deposit available immediately if you have funds to cover that check in any of your accounts with us. If we do, we will hold those funds (equal to the amount of the check) in your other account(s) according to the timelines described elsewhere in this policy.

Longer Delays May Apply

Funds from check deposits may not be available according to the timeline described above. In some cases funds may be held for 3 business days, in other cases they may be held for up to 7 business days after the day of your deposit. We will notify you if we delay your ability to withdraw funds, and we will tell you when the funds will be available.

In the case of a **3 business day** hold:

- The first \$100 of the deposit will be available on the next business day.
- Up to an additional \$400 will be available for cash withdrawal beginning at 5:00 pm on the second business day. The entire deposit (up to \$5,000) will be available for paying checks you have written on the second business day.
- The remainder (up to \$5,000) will be available for cash withdrawal on the third business day.
- Any remainder over \$5,000 is available in 7 business days for cash withdrawal and for writing checks.

Your funds may be delayed for up to **7 business days** if:

- We believe a deposited check will not be paid.
- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

If you will need the funds from a check deposit right away, ask us when the funds will be available.

DEPOSIT AVAILABILITY POLICY (continued)

Availability Timeline for Deposits to New Accounts (Open Fewer Than 30 Days)

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none"> • Electronic direct deposit 	<ul style="list-style-type: none"> • The same business day
<ul style="list-style-type: none"> • Wire transfer 	<ul style="list-style-type: none"> • The next business day
<ul style="list-style-type: none"> • Cash 	<ul style="list-style-type: none"> • The next business day if deposited with a teller, otherwise 2 business days
<ul style="list-style-type: none"> • U.S. Treasury check 	<ul style="list-style-type: none"> • The first \$5,000 is available on the next business day • Any remainder over \$5,000 is available in 9 business days
<ul style="list-style-type: none"> • Government, cashier's, certified, teller's, or traveler's check that is payable to you and deposited with a special deposit slip* 	<ul style="list-style-type: none"> • The first \$5,000 is available on the next business day if deposited with a teller, otherwise 2 business days • Any remainder over \$5,000 is available in 9 business days
<ul style="list-style-type: none"> • Other checks not specifically described above <i>(For example, personal checks, or checks not written to you)</i> 	<ul style="list-style-type: none"> • In 10 business days

* Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.



DEPOSIT AVAILABILITY POLICY

When a deposit is made to your account, the funds may not be available immediately. For example, if you deposit a check on Monday, you may not be able to withdraw the funds from that check, and we may not pay another check with those funds, until Tuesday or even later. See the *Availability Timeline* below for details about when you can use the funds from different types of deposits.

If you withdraw funds from a check deposit, and the check is later returned unpaid, we may charge the check back to your account.

Availability Timeline for Deposits to Established Accounts

Below is our general policy for deposits to your account. **Longer delays may apply**, and different rules apply for **checks deposited to new accounts** (see page 2).

A **business day** is any day of the week except Saturday, Sunday, and Federal holidays. A deposit made before 5:00 p.m. on a business day is considered deposited that day. A deposit made after that time, or on a day we are closed, is considered deposited the next business day.

When a deposit is made by ...	Deposited funds are available ...
<ul style="list-style-type: none">• Electronic direct deposit	<ul style="list-style-type: none">• The same business day
<ul style="list-style-type: none">• Wire transfer	<ul style="list-style-type: none">• The next business day
<ul style="list-style-type: none">• Cash	<ul style="list-style-type: none">• The next business day if deposited with a teller, otherwise 2 business days
<ul style="list-style-type: none">• Check from an account at this bank	<ul style="list-style-type: none">• The first \$5,000 is available on the next business day• Any remainder over \$5,000 is available in 2 business days
<ul style="list-style-type: none">• U.S. Treasury check• Government, cashier's, certified, or teller's check payable to you and deposited with a teller with a special deposit slip*• Postal money order, Federal Reserve Bank check, or Federal Home Loan bank check payable to you and deposited with a teller	<ul style="list-style-type: none">• The first \$5,000 is available on the next business day• Any remainder over \$5,000 is available in 7 business days
<ul style="list-style-type: none">• Other checks not specifically described above <i>(For example, personal checks from other banks, checks not written to you)</i>	<p>For writing checks:</p> <ul style="list-style-type: none">• The first \$100 is available on the next business day• The remainder (up to \$5,000) is available in 2 business days <p>For cash withdrawal:</p> <ul style="list-style-type: none">• The first \$100 is available on the next business day• Up to an additional \$400 is available on the second business day at 5:00 p.m.• The remainder (up to \$5,000) is available in 3 business days <p>Any remainder over \$5,000 is available in 7 business days for cash withdrawal and for writing checks</p>

* *Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.*

Immediate Availability and Holds on Funds in Other Accounts

We may cash a check or make a check deposit available immediately if you have funds to cover that check in any of your accounts with us. If we do, we will hold those funds (equal to the amount of the check) in your other account(s) according to the timelines described elsewhere in this policy.

DEPOSIT AVAILABILITY POLICY (continued)

Longer Delays May Apply

Your ability to use funds deposited by check may be further delayed if:

- We believe a deposited check will not be paid.
- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last 6 months.
- There is a bank emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no more than 7 business days after the day of your deposit.

Availability Timeline for Deposits to New Accounts (Open Fewer Than 30 Days)

When a deposit is made by ...	Deposited funds are available ...
• Electronic direct deposit	• The same business day
• Wire transfer	• The next business day
• Cash	• The next business day if deposited with a teller, otherwise 2 business days
• U.S. Treasury check	• The first \$5,000 is available on the next business day • Any remainder over \$5,000 is available in 9 business days
• Government, cashier's, certified, teller's, or traveler's check that is payable to you and deposited with a special deposit slip*	• The first \$5,000 is available on the next business day if deposited with a teller, otherwise 2 business days • Any remainder over \$5,000 is available in 9 business days
• Other checks not specifically described above <i>(For example, personal checks, or checks not written to you)</i>	• In 10 business days

* Special deposit slips can be obtained in any branch. Government, cashier's, certified, or teller's checks will be processed like "other checks" if they are not deposited with a special deposit slip.

NOTICE OF HOLD ON DEPOSIT

This notice is to inform you that we are placing a

7-DAY HOLD on \$500.00

recently deposited to your account.

You will not be able to withdraw or otherwise use any money from the deposit described below until the hold is removed in 7 business days on **August 30, 2010**.

Account Holder:	Morgan Doe
Account Number:	12345678
Date of Deposit:	August 19, 2010
Deposit Amount:	\$500.00
Hold Amount:	\$500.00
Funds will be available:	August 30, 2010
Reason for Hold:	Information from the paying bank has indicated that this check may not be paid.

If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.

C13B1

1. We received notice that the check is being returned unpaid.
2. We have confidential information that indicates that the check may not be paid.
3. The check is drawn on an account with repeated overdrafts.
4. We are unable to verify an endorsement on the check.
5. Some information on the check is not consistent with other information on the check.
6. There are apparent alterations on the check.
7. The routing number of the paying bank is not a current routing number.
8. The check is postdated or has a stale date.
9. We have been notified that the check has been lost or damaged in collection.

NOTICE OF HOLD ON DEPOSIT

This notice is to inform you that we are placing a

HOLD on a check for \$1750.00

recently deposited to your account.

You will not have full access to all the money from the deposit described below until the hold is removed in 3 business days on **August 24, 2010**. See below for more information.

Account Holder:	Morgan Doe
Account Number:	12345678
Date of Deposit:	August 19, 2010
Availability Timeline:	<p>For writing checks:</p> <ul style="list-style-type: none">• The first \$100 will be available on August 20, 2010• The remainder will be available at 9:00 am August 23, 2010 <p>For cash withdrawal:</p> <ul style="list-style-type: none">• The first \$100 will be available on August 20, 2010• Up to an additional \$400 will be available at 5:00 pm August 23, 2010• The remainder will be available August 24, 2010

If we did not notify you of this hold when you made the deposit, you can request a refund of any overdraft or returned check fees that result from the hold once the check is paid. To request a refund of such fees please contact your local branch.